12-27-05

AF/3624

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Appl. Serial No.	: 10/064,783
Applicants	: Lederman, Lawrence
Filed	: August 16, 2002
TC/A.U.	: 3624
Examiner	: Subramanian
Docket No.	: 02012-40137
For	: *SYSTEM AND METHOD FOR MANAGING CONCENTRATION OF CORPORATE DEBT*

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

APPEAL BRIEF
(37 CFR §41.37)

Sir:

In response to the Final Office Action dated June 17, 2005, Appellant respectfully submits the following Appeal Brief. A Notice of Appeal was filed on September 28, 2005, and an Appeal Brief without extension of time was due on November 28, 2005. Accordingly, a petition for an extension of time, and associated fee are enclosed herewith.

Appellant respectfully requests reconsideration and withdrawal of the outstanding rejections.

EL968230899US

I. Real Party in Interest

Milbank, Tweed, Hadley & McCloy LLP is the real party in interest. On August 15, 2002, Lawrence Lederman executed an assignment to Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, NY 10005

II. Related Appeals and Interferences

No related appeals are known which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

III. Status of Claims

Claims 18-23, 24-115 and 120 were previously canceled without prejudice. Claims 1-17 and 116-119 are currently pending in this application. Claims 1, and 116-119 are independent claims. Claims 1-17 and 116-119 are respectfully appealed.

The Examiner has rejected claims 1-17 and 116-119 under 35 U.S.C. § 101, as directed to non-statutory subject matter. Claims 1-17 have also been rejected under 35 U.S.C. § 112, second paragraph, "as being indefinite for failing to particularly point out and distinctly claim the subject matter which Appellant regards as the invention." The Examiner has rejected claims 116-119 under 35 U.S.C. § 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. Claims 1-17 and claims 116-119 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over King (U.S. Patent No. 6,148,293).

IV. Status of Amendments

No amendments have been filed subsequent to final rejection entered on June 12, 2005. Appellant responds with this appeal brief since Appellant's claims have been twice rejected.

V. Summary of Claimed Subject Matter

Background

The claimed invention relates to investment instruments, and more particularly to methods to control the concentration of debt instruments by individuals or groups acting in concert.

The closest related art that is known to the Appellant is the shareholder rights plan, which is often referred to as a Poison Pill. Almost all corporations have protected themselves against unwanted stock accumulations by adopting a shareholder rights plan. A board of directors can adopt a Poison Pill without shareholder approval, and once adopted, the Poison Pill limits liquidity of accumulators and large holders since equity share blocks cannot be sold that exceed the pill's designated percentage limits. The Poison Pill was developed to avoid the requirement of shareholder approval to thwart the veto of large stockholders, including institutional investors. Under the Poison Pill, equity shareholders still remain unprotected against accumulation of company debt that trades publicly. The invention provides a board of directors with a similar ability to limit or control accumulations of blocks of company debt.

Appellant's Invention

Independent Claim 1

Claim 1 is directed to a method for managing concentration of debt. As shown in the flowchart in FIG. 2 (reproduced below), the method involves (1) determining a debt concentration threshold; (2) associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold; and (3) providing a company board of directors with authority to implement the condition and change a parameter of the debt instrument as the board of directors deems appropriate.

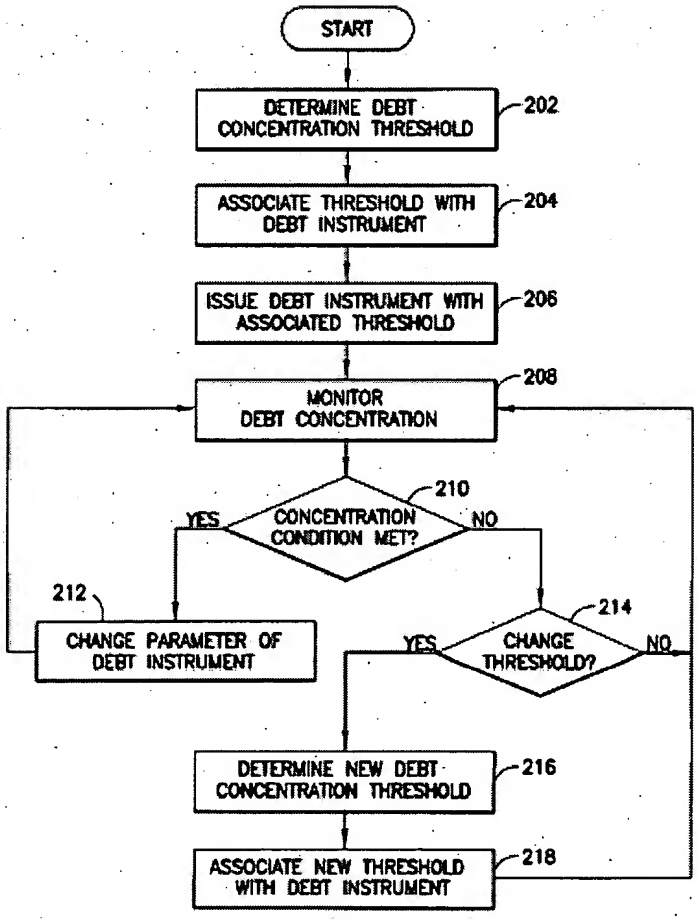


FIG.2

The debt concentration threshold can be a percentage, number of shares, a dollar amount or another metric. *See* Specification, Paragraph 0019, lines 4-5. The terms and conditions of the invention including the debt threshold are associated with the debt instrument, possibly by incorporating them into the debt instrument, as described in Specification, Paragraph 0020, lines 2-6. If the concentration threshold is satisfied, then a new parameter or parameters are attached to the debt instrument and any current or subsequent holder of the debt will be obligated to abide by the changed parameters. *See* Specification, Paragraph 0025, lines 4-6. FIG's 4-9 (reproduced below) illustrate some of the different types of possible parameter changes. The changed parameters may include a change in priority for the quantity of debt instruments above the threshold, making them less valuable. *See* Specification, Paragraph 0037, lines 8-11.

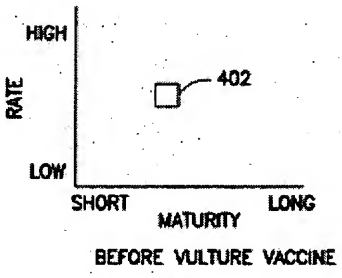


FIG.4

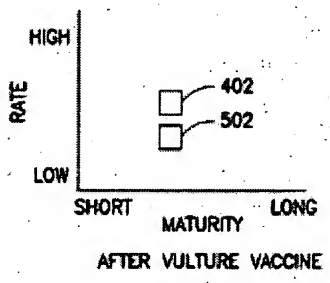


FIG.5

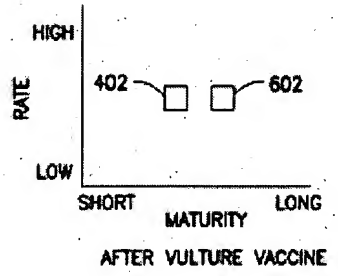


FIG.6

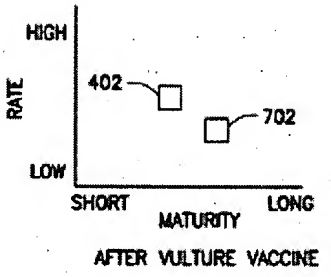
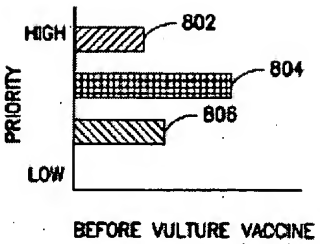
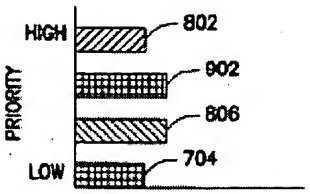


FIG.7



BEFORE VULTURE VACCINE

FIG.8



AFTER VULTURE VACCINE

FIG.9

Independent Claim 116

Claim 116 is directed to a method for managing concentration of debt. As shown in the flowchart in FIG. 2, the method involves (1) determining a debt concentration threshold; and (2) associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter is a change of series of the debt instrument. Changing the series of a debt instrument is described in Specification, Paragraph 0023, lines 1-5.

Independent Claim 117

Claim 117 is directed to a method for managing concentration of debt. As shown in the flowchart in FIG. 2, the method involves (1) determining a debt concentration threshold; and (2) associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter is subordination of a debt instrument to another debt instrument. Specification, Paragraph 0023, lines 1-5, describes one instance where the changed parameter is subordination of a debt instrument to another debt instrument.

Independent Claim 118

Claim 118 is directed to a method for managing concentration of debt. As shown in the flowchart in FIG. 2, the method involves (1) determining a debt concentration threshold; and (2) associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter is restriction of voting. For an example in which the changed parameter is a restriction of voting, see Specification, Paragraph 0022, lines 5-8.

Independent Claim 119

Claim 119 is directed to a method for managing concentration of debt. As shown in the flowchart in FIG. 2, the method involves (1) determining a debt concentration threshold; and (2) associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter serves to restrict redemption of the debt instrument. Paragraph 0023, lines 1-5, describes one instance where the changed parameter serves to restrict redemption of the debt instrument.

VI. Grounds of Rejection to be Reviewed

A. Rejections under 35 U.S.C. § 101

The Examiner has rejected claims 1-17 and 116-119 under 35 U.S.C. § 101, as directed to non-statutory subject matter. The Examiner states that "the method claims as presented do not claim a technological basis in the pre-amble and the body of the claim."

B. Rejections under 35 U.S.C. § 112, second paragraph

The Examiner has rejected claims 1-17 under 35 U.S.C. § 112, second paragraph, "as being indefinite for failing to particularly point out and distinctly claim the subject matter which Appellant regards as the invention." Regarding claim 1, the Examiner states that the phrase "providing a company board of directors with authority to implement the condition....deems appropriate" renders the claim indefinite because it is unclear whether the limitation(s) following the phrase are part of the claimed invention. As support for the rejection, the Examiner cites the MPEP § 2173.05(d). The Examiner states specifically that "provided with authority to implement" is interpreted as an intended use. Then, the Examiner goes on to state "[i]t has been held that the recitation of 'providing with authority to implement' is not a positive limitation but only requires the ability to do so." Claims 2-17 are rejected because they depend from rejected claim 1.

The Examiner has rejected claims 116-119 under 35 U.S.C. § 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. As support, the Examiner cites the MPEP § 2172.01. The Examiner states that "[i]t is not clear how the steps recited result in managing of debt concentration. Specifically, the omitted steps are: It is not clear as [to] what happens to the debt and/or debt concentration after associating a condition with a debt instrument."

C. Rejections under 35 U.S.C. §103

The Examiner has rejected claims 1-17 under 35 U.S.C. § 103(a) as being unpatentable over King (U.S. Patent No. 6,148,293), as discussed in paragraph 5 of the August 8, 2003 Office Action, which states:

5. Claims 1-22 are rejected under 35 U.S.C. 103(a) as being unpatentable over King (US Patent 6,148,293).

With reference to claims 1,6, 12-14 and 20-22, King discloses a method, computer executable software code, a computer readable medium and a programmed computer respectively, for changing at least one parameter of the debt instrument when a condition associated with a debt instrument changes. (See King Column 6 line 64 - Column 7 line 8, claims 1-4) Computer executable software code, a computer readable medium and a programmed computer are inherent in the disclosure of King.

King does not explicitly teach the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold.

Official notice is taken that the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold is old and well known in the art. For instance when all secured debt of a business is held by one entity and the debt covenant may specify that all additional debt against the collateral will be subordinate to the debt currently held by the entity. Such specification can apply to currently held debt and/or future debt. The debt held by the entity would then in effect be the debt concentration threshold. Changing the threshold can be negotiated between the lender and the borrower. Such steps help the business owners from getting into too much debt and thereby lose control of the business and it also helps the secured lenders maintain their priority of claims over the collateral.

It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King. The combinations of the disclosures taken as a whole suggests that it would have helped the business owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral.

With reference to claims 2-4, King teaches the steps of issuing the debt instrument with the associated condition and changing at least one parameter of the debt instrument (See King Claim 1).

With reference to claim 5, King teaches the step of monitoring the associated condition. (See King Column 17 lines 66-67)

With reference to claims 7-1 1, King teaches the step where the entity is an investor (See King Column 5 lines 59-62)

King does not explicitly teach an individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert.

Official notice is taken that interpretation of investors to include individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert is told and well known in the art. Such interpretation avoids discrimination against investors

regardless of whether they are acting alone or a group.

It would have been obvious to one with ordinary skill in the art at the time of invention to include investors including an individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert to the disclosure of King. The combination of the disclosures taken as a whole suggests investors would have benefited from being treated fairly and not being discriminated against regardless of whether they are acting alone or a group.

With reference to claims 15-1 7, King teaches the method of claim 1.

King does not explicitly teach the steps wherein parameter changed by the condition serves to restrict voting, restrict redemption of the debt instrument or change the series of the debt instrument.

Official notice is taken that the steps of restricting voting, restricting redemption of the debt instrument or changing the series of the debt instrument when an associated condition changes are old and well known in the art. Such indenture provisions are common in debt issues and serve to make the terms and conditions clear to both the lender and the borrower. It protects the lender against unscrupulous acts by the borrower and protects the borrowers against hostile actions by the lenders.

It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of restricting voting, restricting redemption of the debt instrument or changing the series of the debt instrument when an associated condition changes to the disclosure of King. The combination of the disclosures taken as a whole suggests such steps would serve to protect the lender against unscrupulous acts by the borrower and protect the borrowers against hostile actions by the lenders.

With reference to claims 18 and 19, King discloses methods for issuing a debt instrument, monitoring a condition associated with the debt instrument and changing at least one parameter of the debt instrument when the condition associated with a debt instrument changes. (See King Column 6 line 64 - Column 7 line 8, Column 7 lines 30-35, Column 17 lines 66-67 and claims 1-

King does not explicitly teach the steps of determining a debt concentration threshold and he condition when an entity holds more debt instruments than the debt concentration threshold.

Official notice is taken that the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold is old and well known in the art. For instance when all secured debt of a business is held by one entity and the debt covenant may specify that all additional debt against the collateral will be subordinate to the debt currently held by the entity. The debt held by the entity would then in effect be the debt concentration threshold. Such steps help the business owners from getting into too much debt and thereby lose control of the business and it also helps the secured lenders maintain their priority of claims over the collateral.

> It would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King. The combinations of the disclosures taken as a whole suggests that it would have helped the business owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral.

The Examiner also states that King discloses a method, computer executable software code, a computer readable medium and a programmed computer respectively, for changing at least one parameter of the debt instrument when a condition associated with a debt instrument changes.

The Examiner has also rejected claims 116-119 under 35 U.S.C. § 103(a) as being unpatentable over King (U.S. Patent No. 6,148,293). The Examiner states that "it would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King." The Examiner also references the rejection of claims 14-16 as a further reason for rejecting claims 117-119.

VII. Argument

1. The Examiner has improperly rejected claims 1-17 and 116-119 under 35 U.S.C. § 101.

2. The Examiner has failed to establish a prima facie case of obviousness under 35 U.S.C. § 103(a) of claims 1-17 as being obvious over King, U.S. Patent No. 6,148,293.

3. The Examiner has failed to establish a prima facie case of obviousness under 35 U.S.C. § 103(a) of claims 116-119 as being obvious over King, U.S. Patent No. 6,148,293.

4. The Examiner has improperly rejected claims 1-17 and 116-119 under 35 U.S.C. § 112, second paragraph.

The appealed claims do not stand or fall together.

Non-statutory Subject Matter Rejection

In rejecting claims 1-17 and 116-119 under 35 U.S.C. § 101, the Examiner has stated that the method claims as presented do not claim a "technological basis" in the pre-amble and the body of the claim. The Examiner fails to cite any valid authority for this rejection. This requirement is not found in the MPEP and further appears identical to the test for "technological arts" which was recently rejected in *Ex Parte Lundgren,* Appeal No. 2003-2088 (BPAI 2005).

In *Ex Parte Lundgren*, the Patent Office Board of Patent Appeals and Interferences reviewed an appeal of an examiner's rejection of claims as deficient in the "technological arts," which the examiner asserted was required by section 101. More particularly, the Examiner applied a two-prong test for statutory subject matter: first, the invention must be within the "technological arts" and second, the invention must recite a "useful, concrete and tangible result."

The Court of Appeals for the Federal Circuit has never identified such a "technological arts" test, even though, as in *Ex Parte Lundgren*, examiners often rely on this test to reject claims to business methods. The Federal Circuit, in *AT&T Corp. v. Excel Communications, Inc.*, has previously held that business methods are proper

statutory subject matter, stating that a process claim that applies a mathematical algorithm to "produce a useful, concrete, tangible result without pre-empting other uses of the mathematical principle, on its face comfortably falls within the scope of 101." 172 F.3d 1352, 1358 (Fed. Cir. 1999); *See also*, *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998).

Appellant submits that under existing and well established precedent, all of the claims presently rejected under § 101 are directed to statutory subject matter. For this reason, appellant asks that the rejection under § 101 be withdrawn.

Obviousness in view of the Prior Art

"It is well established that the burden is on the PTO to establish a prima facie case of obviousness, *In re Fritsch*, 972 F.2d 1260, 23 U.S.P.Q.2d 1780 (C.C.P.A. 1972)." The examiner bears the initial burden of factually supporting any prima facie conclusion of obviousness. If the examiner does not produce a prima facie case, the applicant is under no obligation to submit evidence of nonobviousness.

To establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

The initial burden is on the examiner to provide some suggestion of the desirability of doing what the inventor has done. "To support the conclusion that the claimed invention is directed to obvious subject matter, either the references must expressly or impliedly suggest the claimed invention or the examiner must present a convincing line of reasoning as to why the artisan would have found the claimed invention to have been obvious in light of the teachings of the references." *Ex parte Clapp*, 227 USPQ 972, 973 (Bd. Pat. App. & Inter. 1985).

When the motivation to combine the teachings of the references is not immediately apparent, it is the duty of the examiner to explain why the combination of the teachings is proper. *Ex parte Skinner*, 2 USPQ2d 1788 (Bd. Pat. App. & Inter. 1986). If the examiner determines there is factual support for rejecting the claimed invention under 35 U.S.C. 103, the examiner must then consider any evidence supporting the patentability of the claimed invention, such as any evidence in the specification or any other evidence submitted by the applicant. The ultimate determination of patentability is based on the entire record, by a preponderance of evidence, with due consideration to the persuasiveness of any arguments and any secondary evidence. *In re Oetiker*, 977 F.2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992).

The Examiner has rejected claims 1-17 under 35 U.S.C. § 103(a) as being unpatentable over King (U.S. Patent No. 6,148,293), as discussed in paragraph 5 of the August 8, 2003 Office Action, which is quoted above. With reference to claims 1, 6, 12-14, the Examiner states that King discloses a method, computer executable software code, a computer readable medium and a programmed computer respectively, for

changing at least one parameter of the debt instrument when a condition associated with a debt instrument changes.

The Examiner acknowledges that King does not teach the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold, as recited in claim 1. The Examiner has taken official notice that the steps of determining a debt concentration and the condition when any entity holds more debt instruments than the debt concentration threshold is old and well known in the art. The Examiner states that it would be obvious to one with ordinary skill in the art at the time of the invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments than the debt concentration threshold to the disclosure of King. As the only basis for such a combination, the Examiner recites: "[t]he combinations of the disclosures taken as a whole suggests that it would have helped the business owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral."

Appellant submits that the claimed step of determining a debt concentration threshold is not old and well known in the art. The Examiner states that in the situation where all the debt of a business is held by one entity, then the debt held by the entity would be the debt concentration threshold. Appellant submits that simply having debt outstanding does not establish a threshold value. According to claim 1, selecting a threshold value involves selecting a specific debt concentration at which a condition will be available. Claim 1 specifically recites "the condition available when an entity holds more debt instruments than the debt concentration threshold, and providing a

company board of directors with authority to implement the condition and change a parameter of the debt instrument as the board of directors deems appropriate." In addition to a failure to disclose determining a debt concentration threshold, the Examiner's rejection under 35 U.S.C. § 103(a) completely fails to address these additional limitations of claim 1 or show how they are found in King or any other prior art.

Appellant also submits that it would not be obvious to combine determining a debt concentration threshold with the disclosure of King. The Examiner cites no suggestion or motivation to combine this threshold requirement with King, except to say "[t]he combinations of the disclosures taken as a whole suggests that it would have helped the business owners from getting into too much debt and thereby lose control of their business and it would have also helped the secured lenders maintain their priority of claims over the collateral." The Examiner has not cited any part of King as support for this motivation, and Appellant is at a loss understanding from the Examiner's conclusory statement where this motivation comes from within the prior art as known to those of ordinary skill, and in particular why this motivation would cause a person of ordinary skill to combine the supposedly known determining a debt concentration threshold with the particular disclosure relied on from King. Appellant submits that such a motivation to combine is entirely lacking in the prior art.

With respect to claims 2-4, the Examiner states that King teaches the steps of issuing the debt instrument with the associated condition and changing at least one parameter of the debt instrument. *See* King, Claim 1.

With respect to claim 5, the Examiner states that King teaches the step of monitoring the associated condition. *See* King Column 17, lines 66-67.

With respect to claims 7-11, the Examiner states that King teaches the step where the entity is an investor. *See* King Column 5, lines 59-62. However, the Examiner acknowledges that King does not explicitly teach an individual investor (claim 8), an institutional investor (claim 9), an affiliated group of investors (claim 10), or a group of investors acting in concert (claim 11). Without providing any additional motivation for combination, the Examiner found that it would be obvious to one of ordinary skill in the art at the time of invention for investors to include an individual investor, an institutional investor, an affiliated group of investors, or a group of investors acting in concert and to combine any of those with the disclosures of King so as to render the claims obvious.

The disclosure of King is limited to a simple lender/borrower scenario. Appellant submits that aside from the Examiner's improper hind-sight combination, there is no suggestion or motivation to combine multiple investors with the relationship disclosed in King. Further, multiple investors holding debt actually teaches away from the Examiner's hypothetical single entity holding all of the debt as disclosing a threshold, which is one of the principle elements of King that the Examiner relies on in the obviousness rejection of claim 1.

With respect to claims 15-17, the Examiner states that King teaches the method of claim 1. The Examiner acknowledges that King does not explicitly teach the steps wherein a parameter changed by the condition serves to restrict voting, restrict voting, restrict redemption of the debt instrument or change the series of the debt instrument. Again, without identifying any support from the prior art for such a

combination with King, the Examiner simply states that it would have been obvious to one of ordinary skill in the art to include the steps of restricting voting, restricting redemption of the debt instrument or changing the series of the debt instrument when an associated condition changes to the disclosure of King.

Appellant submits that King does not remotely discuss voting rights or changing the series of a debt instrument. The Examiner cites no suggestion or motivation to combine this reference with a person of ordinary skill's understanding of these concepts.

The Examiner has also rejected claims 116-119 under 35 U.S.C. § 103(a) as being unpatentable over King (U.S. Patent No. 6,148,293). The Examiner states that "it would have been obvious to one with ordinary skill in the art at the time of invention to include the steps of determining a debt concentration threshold and the condition when an entity holds more debt instruments that the debt concentration threshold to the disclosure of King." The Examiner states that the combination of the disclosures taken as a whole suggest that it would have helped the business owners from getting too much into debt and thereby lose control of their business, and it would have also helped the secured lenders maintain their priority of claims over the collateral. The Examiner also references the rejection of claims 14-16 as a further reason for rejecting claims 117-119.

The Examiner suggests that a business owner might establish a threshold beyond which it should not incur debt for the safety of the business. Appellant submits that while setting an upper limit on borrowing may be important to some business owners, it is not a stated object of this invention, nor is there anything in King to support such an objective as related to the concept of a debt concentration threshold. The

Examiner describes, at best, a debt threshold but not a debt concentration threshold. A debt concentration threshold refers to the number or percentage of debt instruments and not to a particular limit on debt itself. In general, the concept involves providing disincentives to a particular entity holding an excessive number of debt instruments and not to the business's overall amount of debt. Moreover, as explained above in detail, King does not disclose a debt concentration threshold nor does the Examiner provide any suggestion or motivation to combine a debt concentration threshold with King.

At least for these reasons, Appellant respectfully asks that the claim rejections under 35 U.S.C. § 103 be withdrawn.

Indefiniteness Rejection

In rejecting claims 1-7 under 35 U.S.C. § 112 ¶ 2, the Examiner states that in claim 1, the phrase "providing a company board of directors with authority to implement the condition ... deems appropriate" renders the claim indefinite. The Examiner states that it is unclear whether the limitation following the phrase is part of the claimed invention. As support, the Examiner relies on MPEP § 2173.05(d).

Appellant respectfully submits that the Examiner has failed to consider the entire context of the claim, and that when considered in context, the claim is definite. First, the claim recites determining a debt concentration threshold. Then a condition is associated with a debt instrument. That condition changes at least one parameter of the debt instrument, and is available when an entity holds more debt instruments than the debt concentration threshold. Thus, the condition is only available when an entity holds more debt instruments than the debt concentration threshold. Then, a company board of directors is provided with authority to implement the condition and change a parameter of

the debt instrument as the board of directors deems appropriate. The claim is thus clear and definite that providing the company board of directors with the authority is a required limitation. The authority provided to the board of directors is to implement the condition and change a parameter of the debt instrument as the board of directors deems appropriate. The claim does not require the board of directors to implement the condition and the board may deem that implementing the condition is not appropriate and thus decide not to implement the condition. However, the board must be provided with the authority to implement the condition and change a parameter if they deem it appropriate to implement the condition and change a parameter of the debt instrument. Appellant submits that the claim is definite as drafted and ask that the rejection of claims 1-17 under 35 U.S.C. § 112 ¶ 2 be withdrawn .

With respect to the rejection of claims 116-119 under 35 U.S.C. § 112 ¶ 2, the Examiner states that the claims omit essential steps, amounting to a gap between the steps. In particular, the Examiner states that the preamble recites managing concentration of debt, but it is not clear how the steps recited result in such management. The Examiner specifically states that it is not clear as to what happens to the debt and/or debt concentration after associating a condition with a debt instrument. As support, the Examiner relies on MPEP § 2172.01.

As the specification and figures describe, the invention is directed to managing concentration of debt. That management is handled by changing terms of debt instruments so that investors or holders of the instruments will be motivated to avoid an accumulation of large blocks of debt. The specification and figures describe ways to change terms of the debt instruments so as to accomplish that objective. One of the ways

to influence or manage the concentration of debt by holders is to change parameters of the debt instrument so that the value of the debt instrument is impacted in some way. For example in claim 116, the parameter that is changed is the series of the debt instrument. A change in the series of the debt instrument may affect the value of the debt instrument. Thus, a condition that would change the series may cause holders to avoid accumulating sufficient debt that the series of the debt they hold would change.

Similarly, the parameter that is changed in claim 117 is the subordination of the debt instrument to another debt instrument. Again, investors or holders may find that if debt they are holding becomes subordinated to other debt, then it has less value. This possibility may influence the holders to refrain from accumulating sufficient debt that the subordination of the debt they hold would change.

In claim 118, a parameter of restriction of voting is changed if the entity holds more debt instruments than the debt concentration threshold. If debt initially had voting rights, and then those voting rights are changed or removed, that is likely to have an impact on the value of the debt and holders may avoid accumulating sufficient debt that the voting rights of the debt they hold would change.

Finally, a restriction on redemption is the parameter that is changed in claim 119 if the entity holds more debt instruments that the debt concentration threshold. Again, as with claims 116-118, such a change may impact the value of the debt, causing holders to avoid accumulating sufficient debt so as to cause the change in the parameter. All of these changes in the parameters of the debt can serve to manage the concentration of debt by providing a dis-incentive to concentration.

At least for these reasons, Appellant respectfully submits that the rejections under 35 U.S.C. § 112 ¶ 2 are not supported and ask that they be withdrawn.

VIII. Claims Appendix

Listing of claims:

1. A method for managing concentration of debt, the method comprising:

determining a debt concentration threshold;

associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold; and

providing a company board of directors with authority to implement the condition and change a parameter of the debt instrument as the board of directors deems appropriate.

2. A method according to claim 1, further comprising issuing the debt instrument with the associated condition.

3. A method according to claim 1, further comprising changing at least one parameter of the debt instrument.

4. A method according to claim 3, wherein changing at least one parameter occurs when an entity holds more debt instruments than the debt concentration threshold.

5. A method according to claim 1, further comprising monitoring concentration of debt instruments by entities.

6. A method according to claim 1, further comprising changing the debt concentration threshold.

7. A method according to claim 1, wherein the entity is an investor.

8. A method according to claim 7, wherein the investor is an individual investor.

9. A method according to claim 7, wherein the investor is an institutional investor.

10. A method according to claim 1, wherein the entity is an affiliated group of investors.

11. A method according to claim 1, wherein the entity is a group of investors acting in concert.

12. A method according to claim 1, wherein associating the condition with the debt instrument occurs before issue of the debt instrument.

13. A method according to claim 1, wherein associating the condition with the debt instrument occurs after issue of the debt instrument.

14. A method according to claim 1, wherein the parameter changed by the condition serves to subordinate the debt instrument to other debt instruments.

15. A method according to claim 1, wherein the parameter changed by the condition serves to restrict voting.

16. A method according to claim 1, wherein the parameter changed by the condition serves to restrict redemption of the debt instrument.

17. A method according to claim 1, wherein the parameter changed by the condition serves to change the series of the debt instrument.

Claims 18 - 115 have been Cancelled.

116. A method for managing concentration of debt, the method comprising:

determining a debt concentration threshold; and

associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter is a change of series of the debt instrument.

117. A method for managing concentration of debt, the method comprising:

determining a debt concentration threshold; and

associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter is subordination of a debt instrument to another debt instrument.

118. A method for managing concentration of debt, the method comprising:

determining a debt concentration threshold; and

associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more

debt instruments than the debt concentration threshold, wherein the changed parameter is restriction of voting.

119. A method for managing concentration of debt, the method comprising:

determining a debt concentration threshold; and

associating a condition with a debt instrument, the condition changing at least one parameter of the debt instrument, the condition available when an entity holds more debt instruments than the debt concentration threshold, wherein the changed parameter serves to restrict redemption of the debt instrument

Claim 120 has been Cancelled.

Respectfully submitted,

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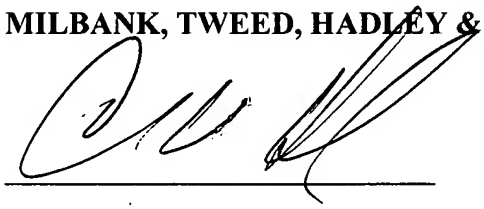

Dated: December 23, 2005

Chris L. Holm

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